

CARE Sustainable Funding Oversight Committee

Q3 2017 AB 2398 Summary &
Recommendations for Approval

Updated 11/28/17 Public



Agenda

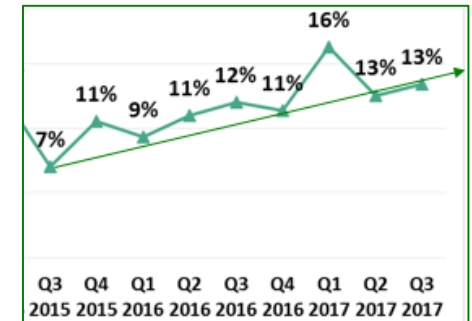
- ✓ Quarterly Overview of Results
- ✓ Manufacturers Report
- ✓ Processors Report
- ✓ Other Information (as required)
- ✓ Approval Requests



CARE's Executive Director's Message

The 3rd quarter showed an increase in both gross collections and recycled output (RO) over Q2, which was lower than usual due to equipment problems/failures. Growth in PC4 was strong again in Q3 and year to date volume has already eclipsed all of 2016. This is part of the strategy to increase yield and grow RO. Lack of an approved grants program is hampering additional capacity expansion at this time. Also worthy of note, four mills have exited CA sales: ATM Flooring, Fortune Contract and Wellington. The forth mill, Royalty, closed their business after 65 years in California.

Since Q3 2015, recycled output is on a steady increase supporting continuous, meaningful improvement. We expect the new nylon 6 incentive, along with growth in backing material (PC4) to continue to gain in volume and contribute to RO. Efforts on new products and applications are underway.



CARE is working on Plan revisions to come into compliance with AB 1158 and will be submitted to the New Advisory Committee on January 8th per CalRecycle timeline. The original California Council on Carpet Recycling will be disbanded effective December 31st. CARE wishes to thank all members for their time, energy and commitment to helping craft a better plan.

All stakeholders are encouraged to visit the CARE website, click on the CA tab and sign up for the monthly news letter to stay abreast of latest developments. www.carpetrecovery.org

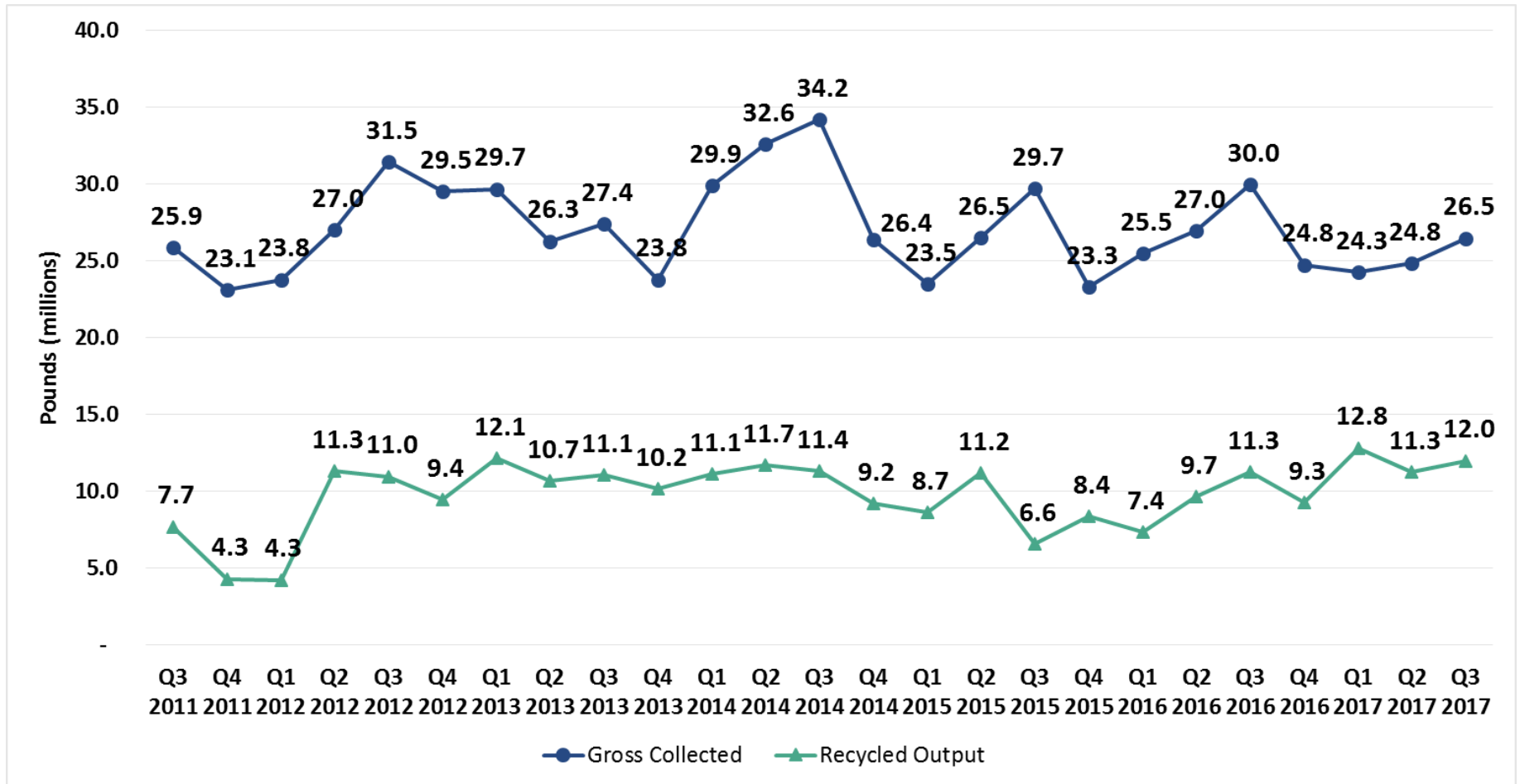
Bob Peoples, Ph.D., Executive Director, November 28, 2017



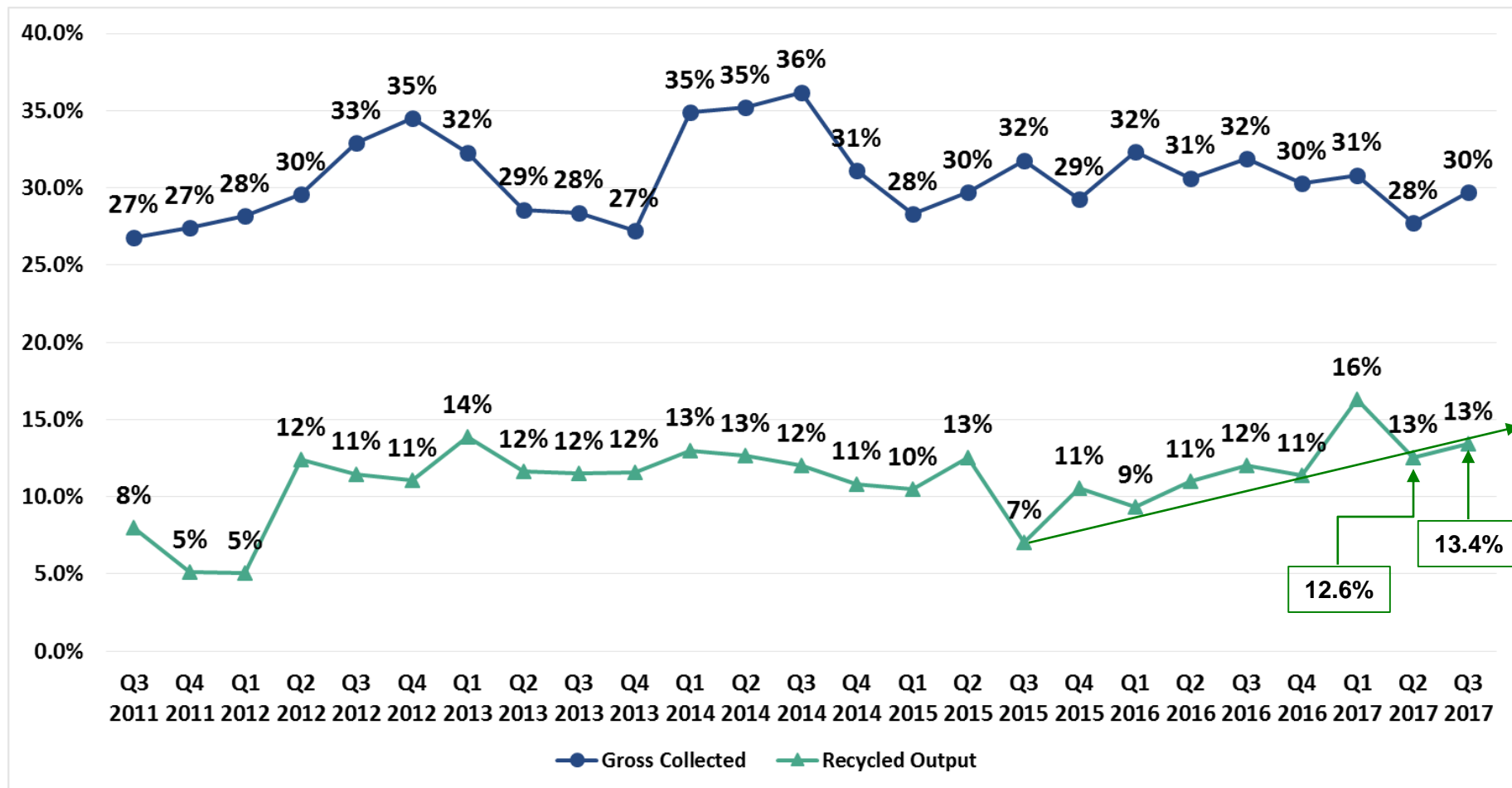
AB 2398 Summary Results



AB 2398 Performance Trends (millions of pounds)



AB 2398 Performance Trends (percentage)

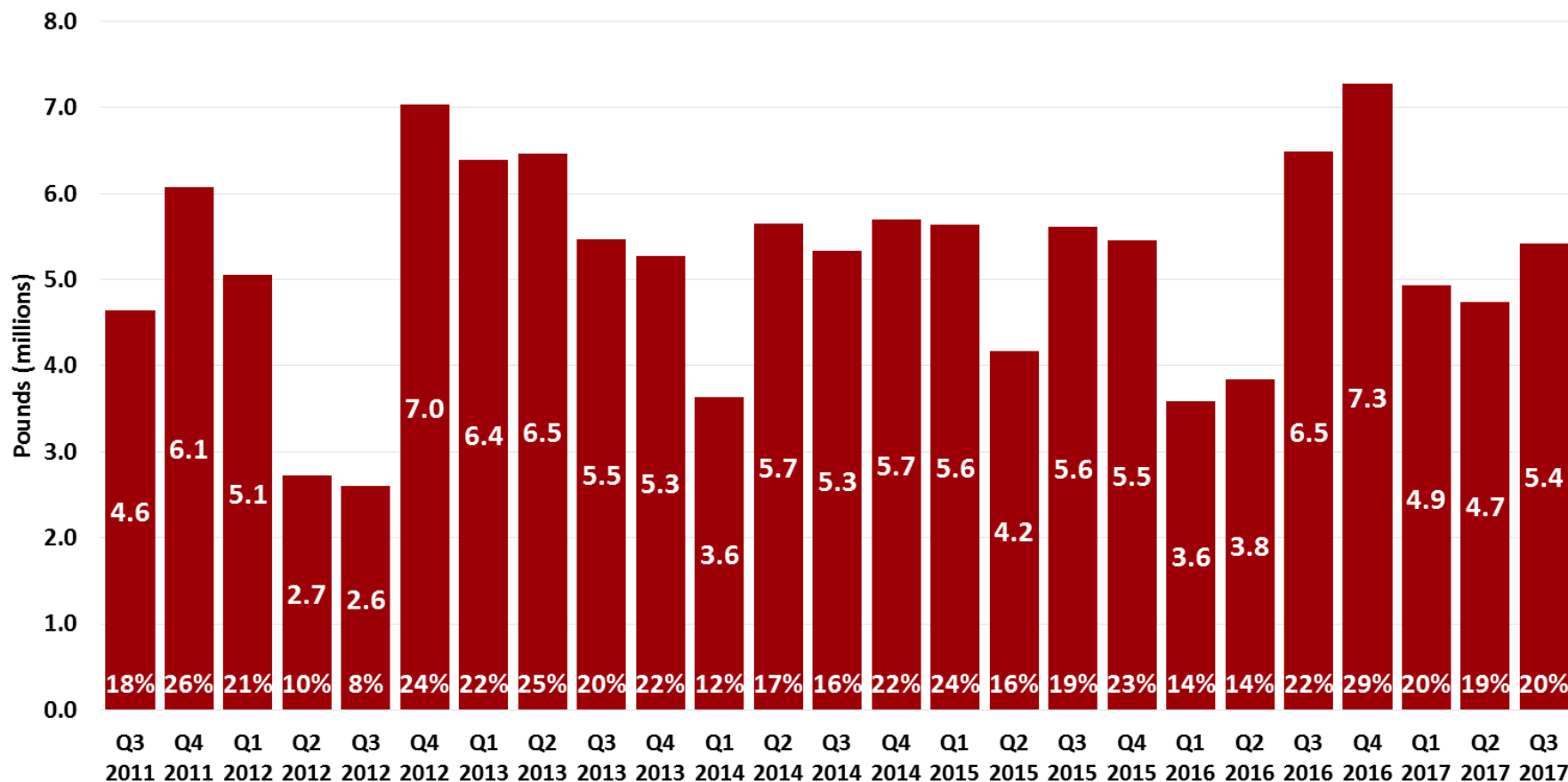


Beginning Q3-2015: adjustments for water content will be applied as appropriate.

Beginning Q3-2016: The discards calculation applies updated variables to the formula: avg. wt/sqyd (4.39 lbs.), R (0.84), D (0.006), DS [deselection – new for 2016] (0.0075). Formula adjustment details are documented in an email to CalRecycle dated July 15, 2016.

Gross Collected PCC Sent Back to Landfill*

NOTE: Reductions in 2014 and 2015 due to increased use of Kiln and new CaCO₃ incentive as of Q2-2015



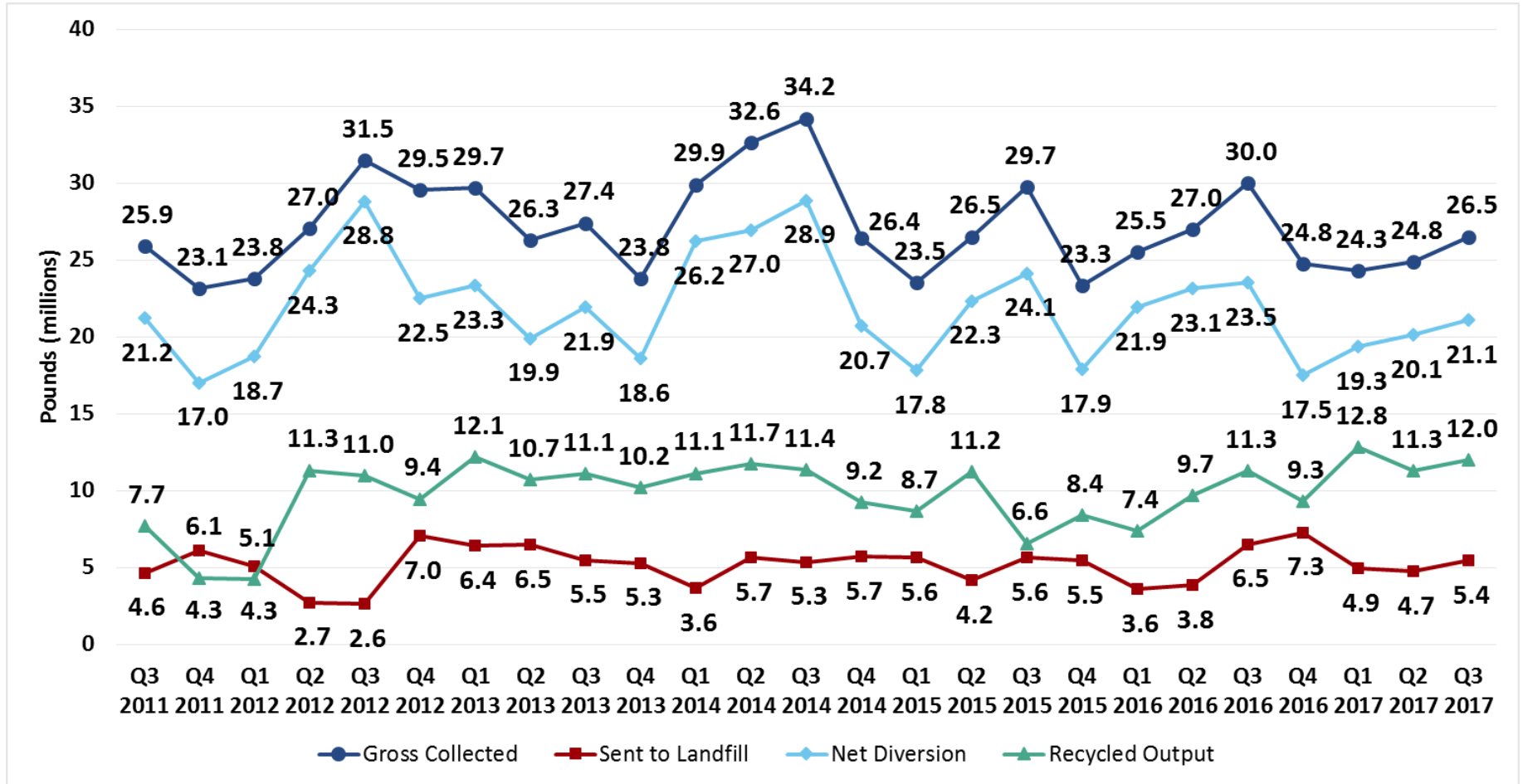
Q3-2017 Gross Collected: 26.5M pounds – 5.4M sent to landfill

Cumulative to landfill: 129.2M lbs.



*Percentages shown is % of Gross Collected PCC that actually goes to landfill as PCC or process waste. Data above includes Processor as well as Sorter landfilled pounds beginning in Q2 2014.

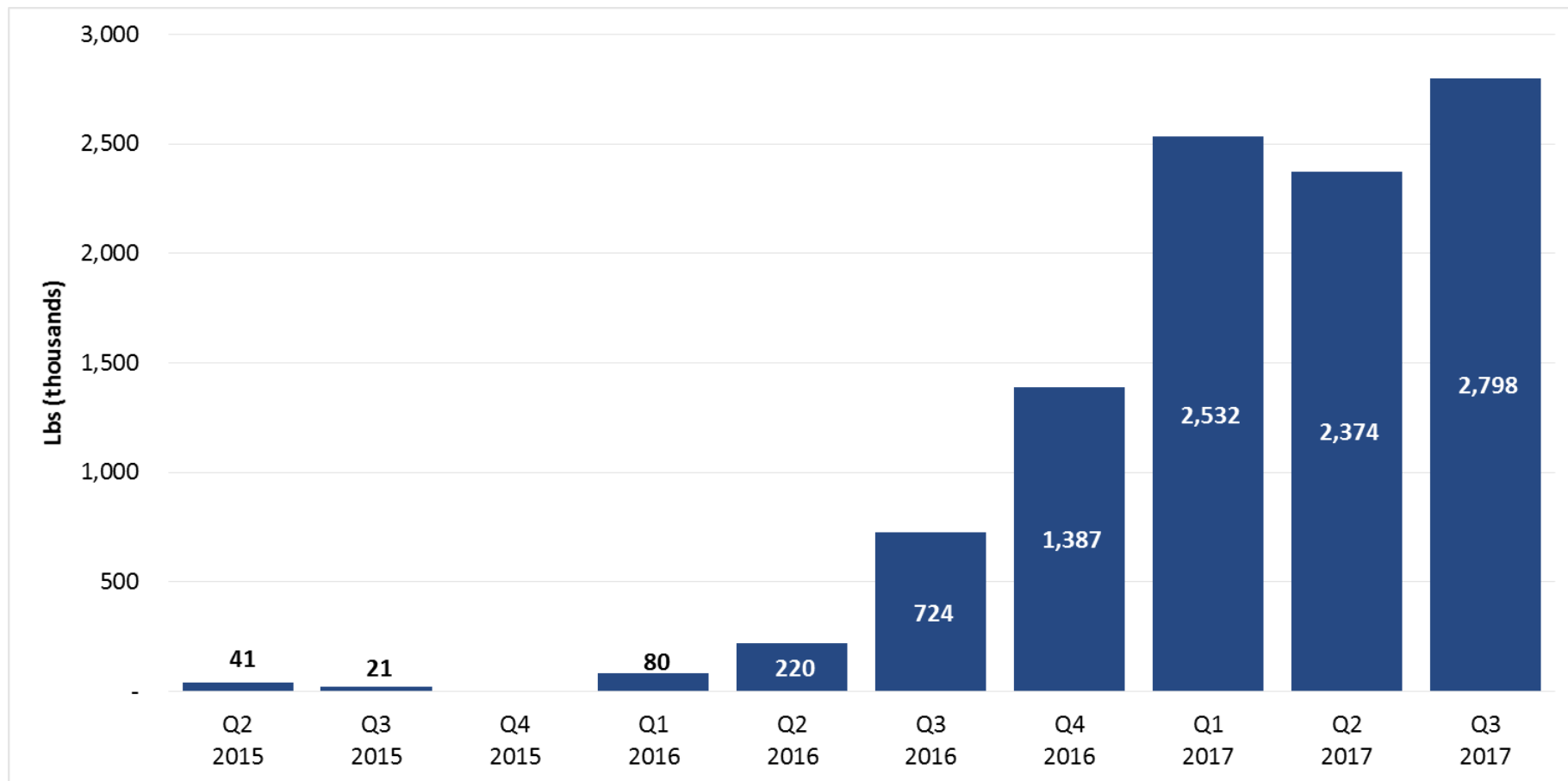
Performance Trends



Net Diversion = Gross Collection – Sent to landfill*



Calcium Carbonate (PC4) by Quarter



AB 2398 Manufacturers/Mills Quarterly Summary Report



AB 2398 Mills' Summary

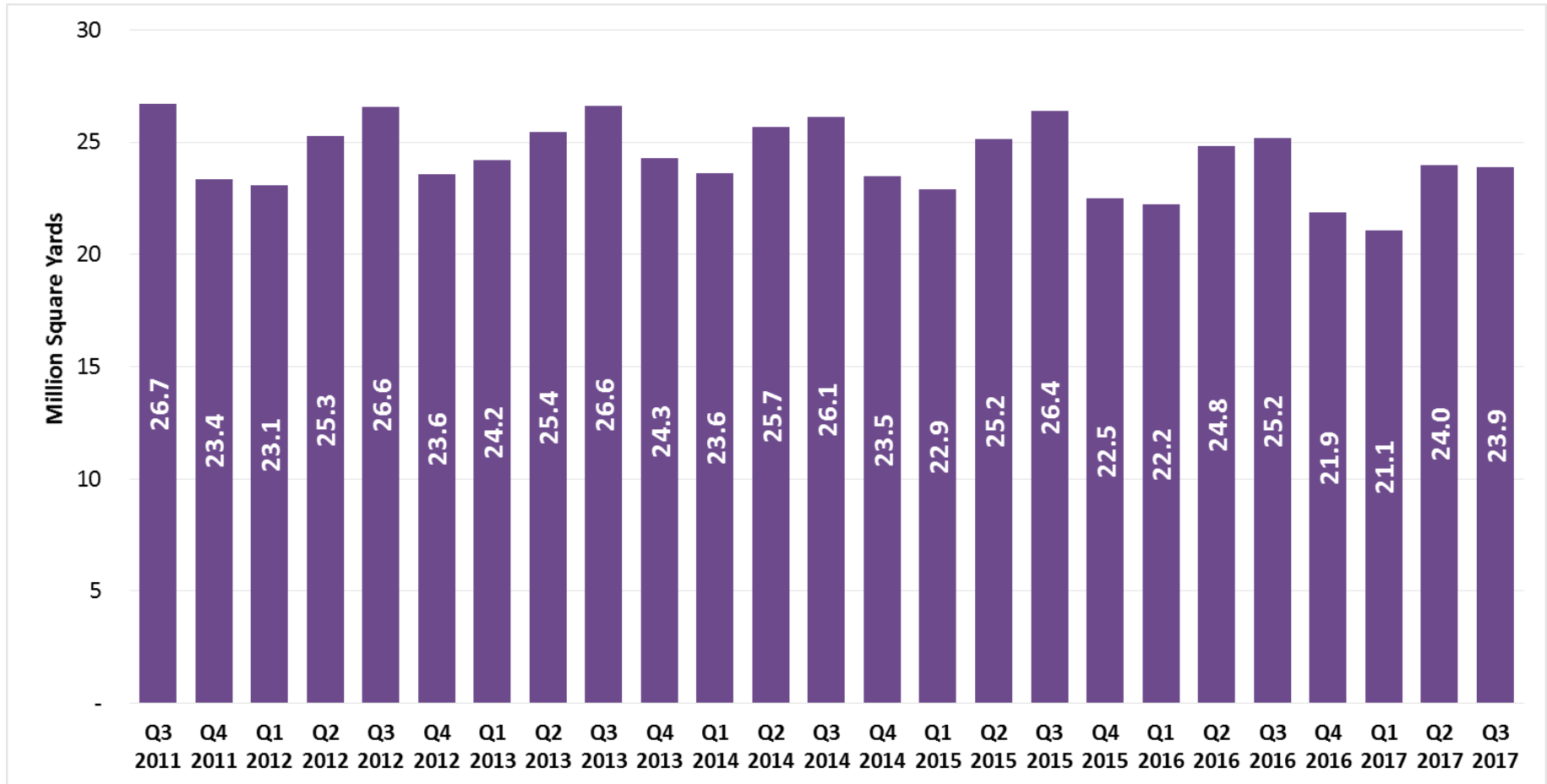
Mills - With Yearly Roll-up												
	2011	2012	2013	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017
# Mills Registered	80	80	79	79	78	75	76	75	76	76	77	75
# Mills Not Reporting	0	4	5	1	0	0	0	0	1	6	7	3
Non-response Rate	0%	5%	6%	1%	0%	0%	0%	0%	1%	8%	9%	4%
Remittance Collected												
Total Sq Yd Sold (millions)	50.1	98.5	100.5	98.9	96.9	22.2	24.8	25.2	21.9	21.1	24.0	23.9
Total Remittances (\$M)	\$ 2.54	\$ 4.96	\$ 5.05	\$ 4.95	\$ 8.60	\$ 2.23	\$ 4.96	\$ 5.03	\$ 4.38	\$ 5.27	\$ 5.99	\$ 5.97
Top 10 Remittances (>\$10K)	\$ 2.33	\$ 4.55	\$ 4.65	\$ 4.49	\$ 7.86	\$ 2.03	\$ 4.56	\$ 4.62	\$ 4.00	\$ 4.86	\$ 5.54	\$ 5.54
Top 10 Percentage of Total (Avg)	92%	92%	92%	91%	91%	91%	92%	92%	91%	92%	92%	93%

Cumulative SQYD sold: 607.9M

Cumulative Remittances: \$59.91M



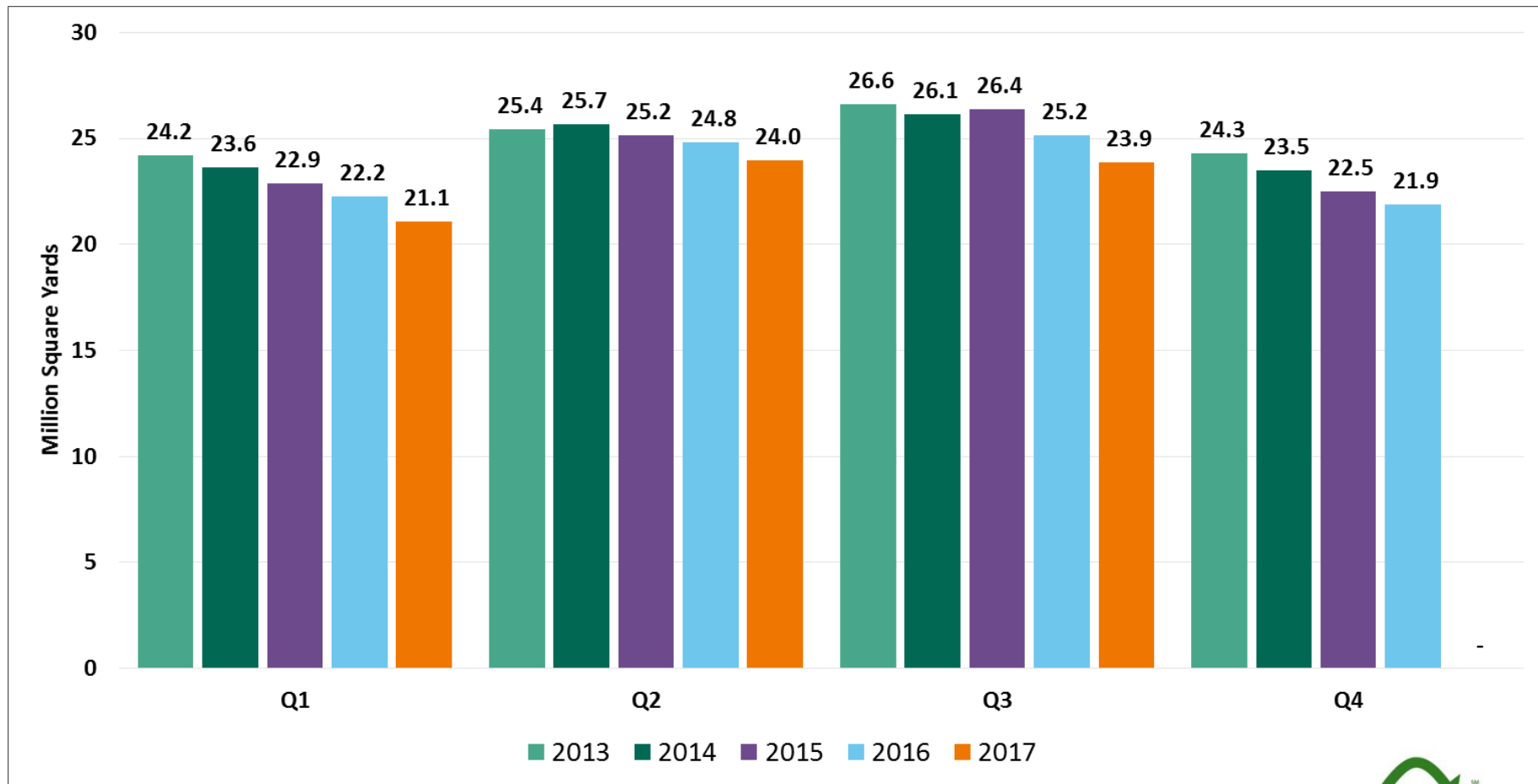
Total CA Sales (Square Yards)



First quarter where Q3 was not > Q2



Sales by Quarter



AB 2398

Subsidy and Expenses Quarterly Report



Summary of Payouts Q3 2017

CSEs	
CSE Reporting Incentive	\$ 8,000
Tile REUSE	\$ 2,112
Broadloom REUSE	\$ -
Whole Carpet Shipped and Sold for recycling (CSEs)	\$ 44,671
Whole Carpet Shipped and Sold for recycling (Processors)	\$ 226,290
Total All CSEs Payouts	\$ 281,073
Processors	
Tile REUSE	\$ 14,490
Broadloom REUSE	\$ -
Total Reuse Payout	\$ 14,490
Tile RECYCLED	\$ 23,740
Type 1 Standard Payout	\$ 879,505
Total Type 1 Payout	\$ 903,245
Type 2 Filler/Other	\$ -
Calcium Carbonate	\$ 475,730
Type 2 CAAF	\$ 319
Type 2 Kiln	\$ 3,266
Total Type 2 Payout	\$ 479,316
Adjustments	\$ (1,520)
Total All Processor Payouts	\$ 1,395,530
Manufacturers	
Non-nylon Payouts	\$ 1,040,647
Adjustments	\$ -
Total All Manufacturers Payouts	\$ 1,040,647
Subsidy Payouts	
Total Subsidy Payouts for Quarter	\$ 2,717,250



Summary of Expenses*

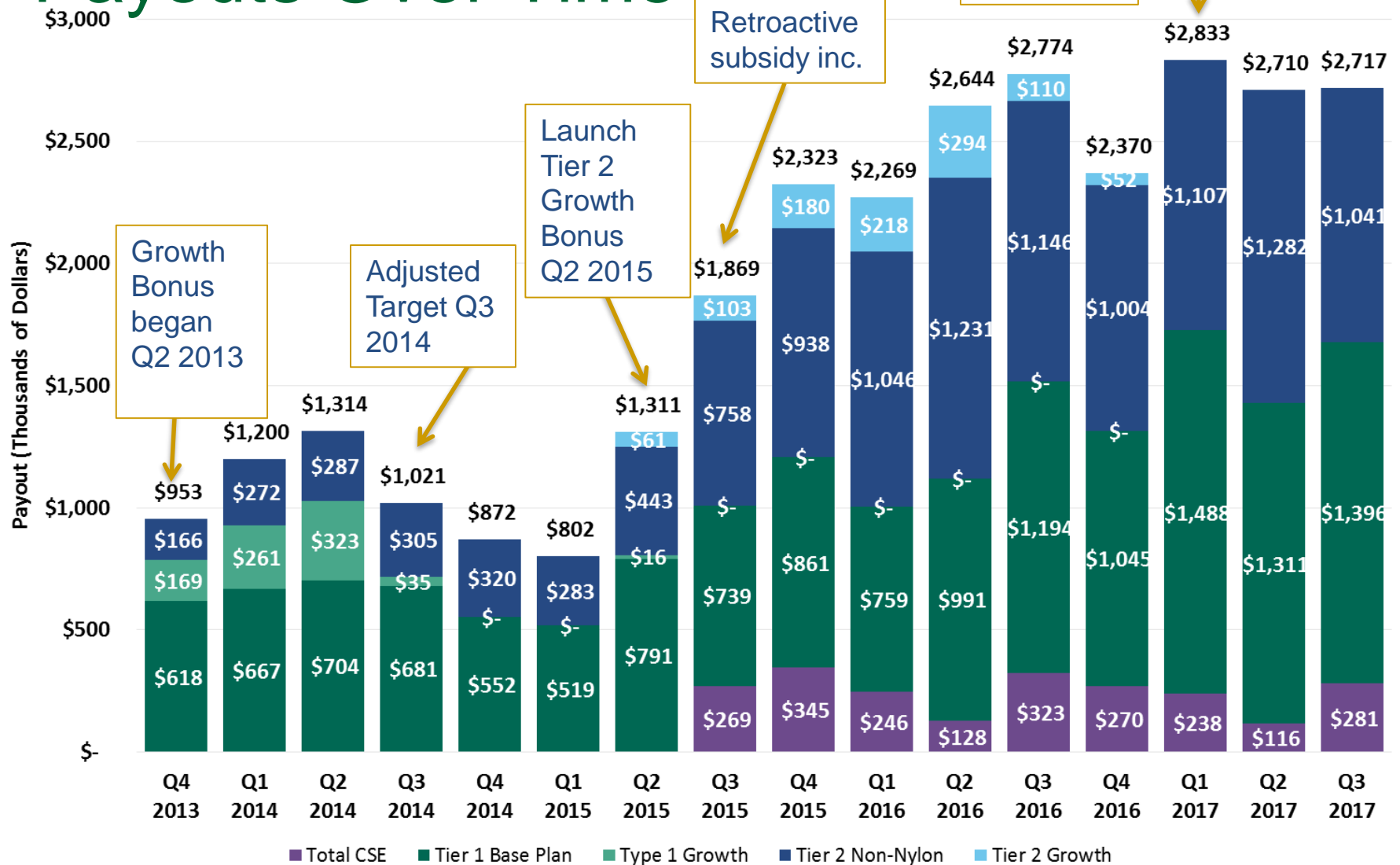
Expenses	Q3 2017	Percentage
Subsidy Payouts	\$ 2,717,674	69%
Education and Outreach	\$ 149,667	4%
Collections Program	\$ 183,754	5%
Grants	\$ 211,050	5%
Technical Assistance	\$ 93,935	2%
Sub-total of Program Expenses	\$ 638,406	16%
CalRecycle	\$ 42,150	1%
CARE Administration Cost	\$ 7,675	0%
Direct Expenses	\$ 225,437	6%
Direct Support	\$ 96,481	2%
Accounting and Legal	\$ 187,439	5%
Sub-total of Admin Expenses	\$ 559,182	14%
Sub-total of Program & Admin Expenses	\$ 1,197,588	31%
Total		
Total Expenses	\$ 3,915,262	100%

* Effective Q1, new categories have been added to the expense tracking.

All data from Melanie confirmed 11/10/17



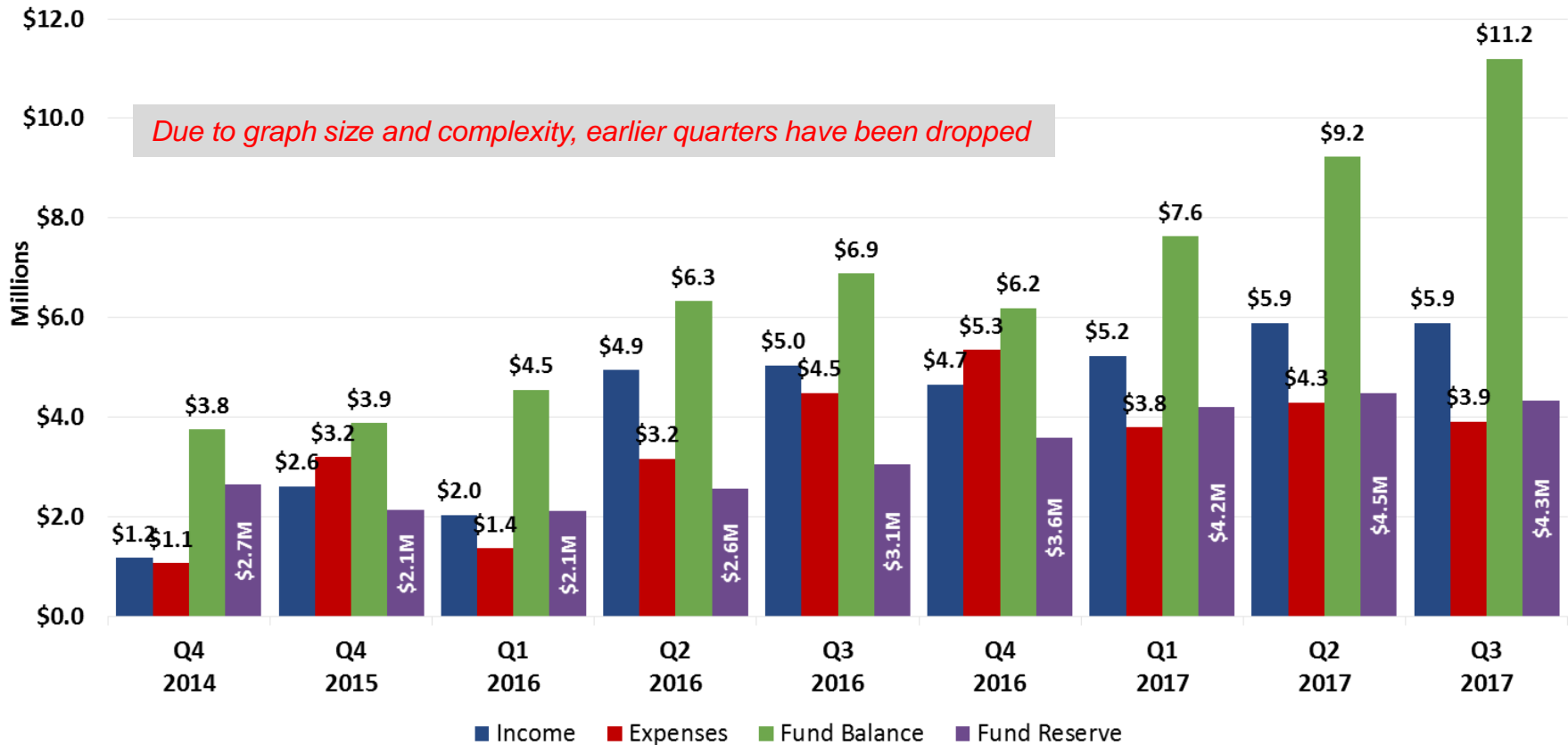
Payouts Over Time



Fund Balance Trends*

Based on unaudited numbers – adjustments may be made after audit closes

ACCRUAL BASIS



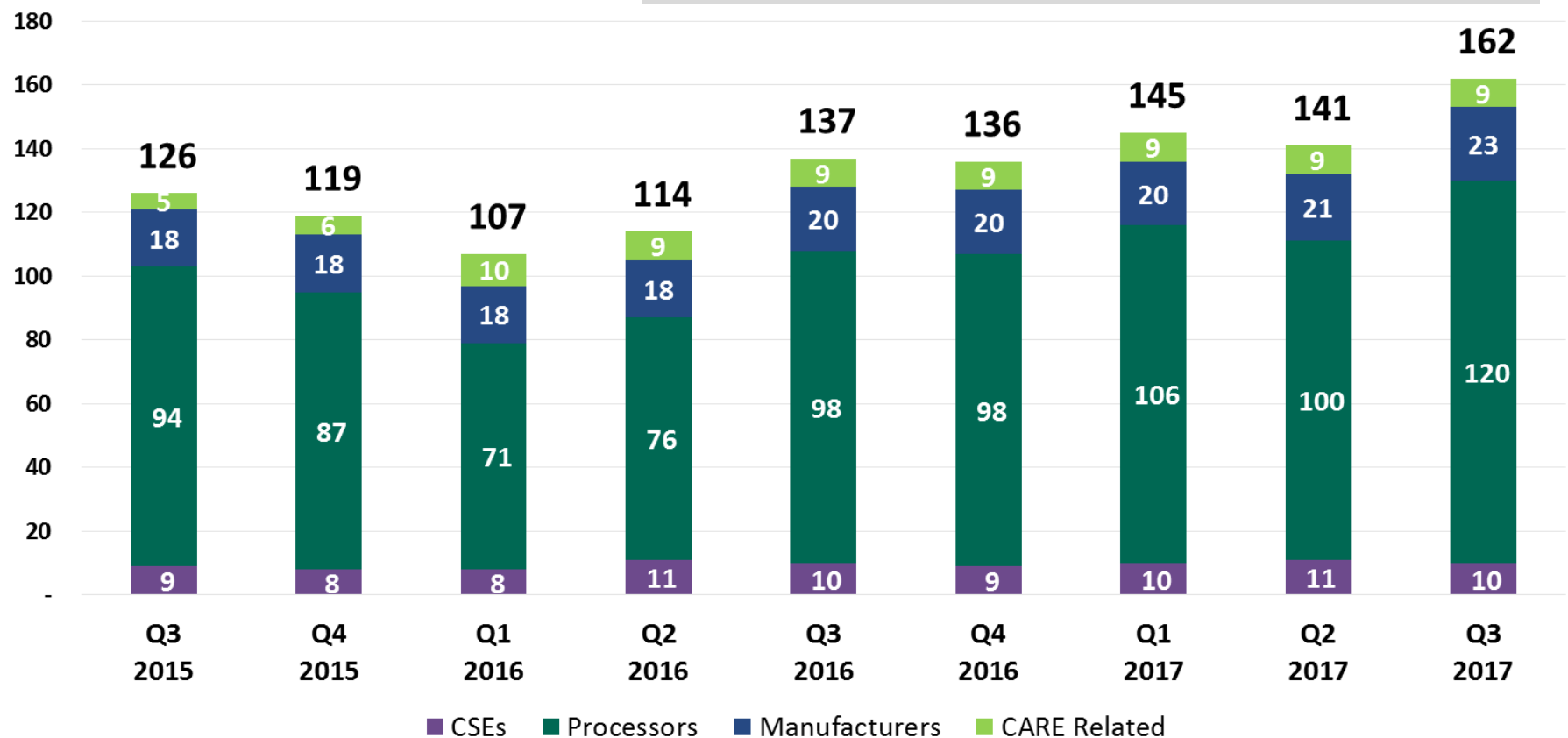
* Includes CSEs + Processors + Tier 2 Manufacturers

** Reserve = last 4 quarter payouts divided by 4 to ensure fund availability and stability (effective Q3-2015)



CA Employees (FTEs*)

Note: Q3 FTE up due to a correction for FTE vs headcount.



* Fulltime equivalent employees

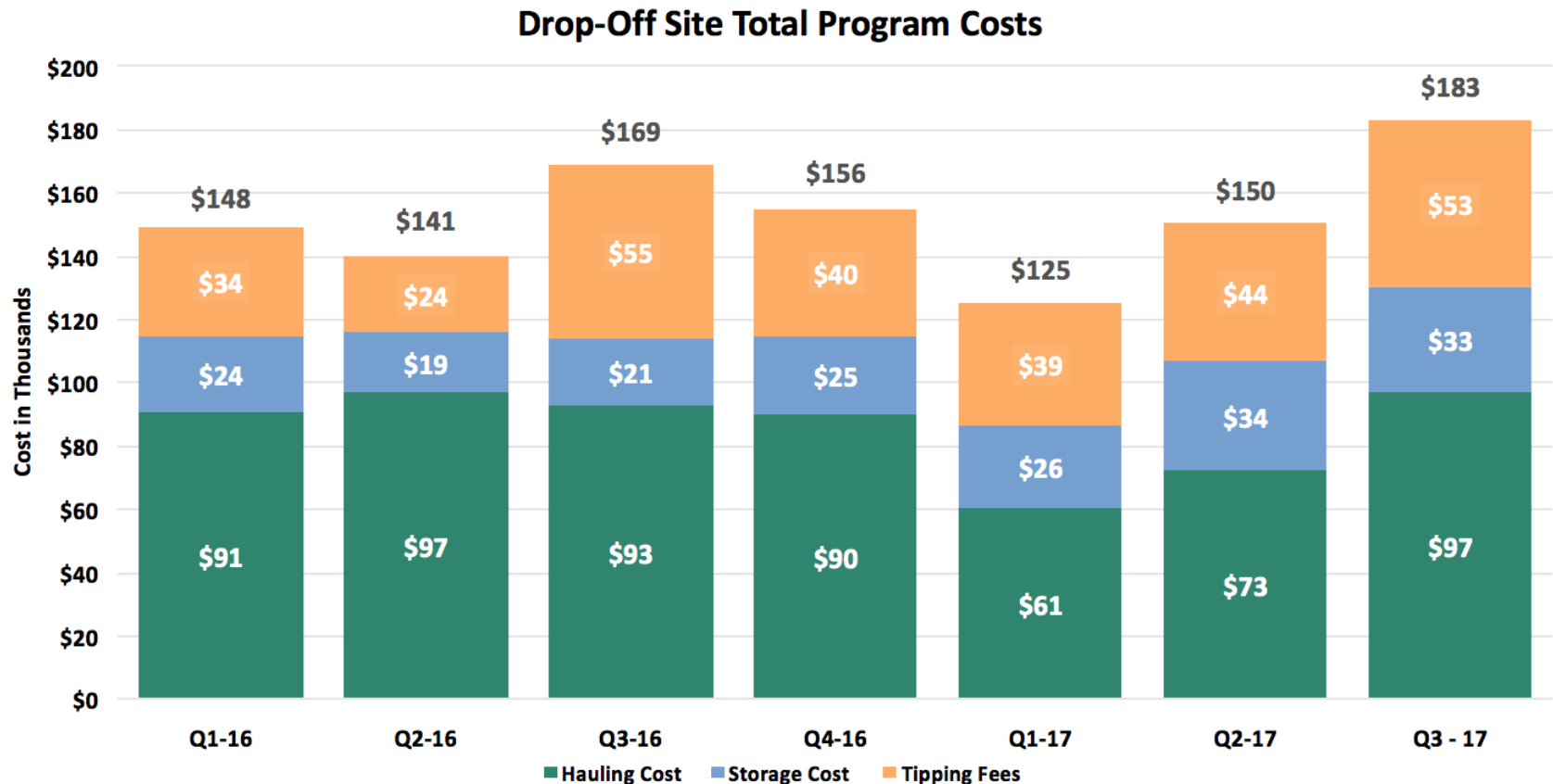


Drop-Off Site Program Update

Q3 2017

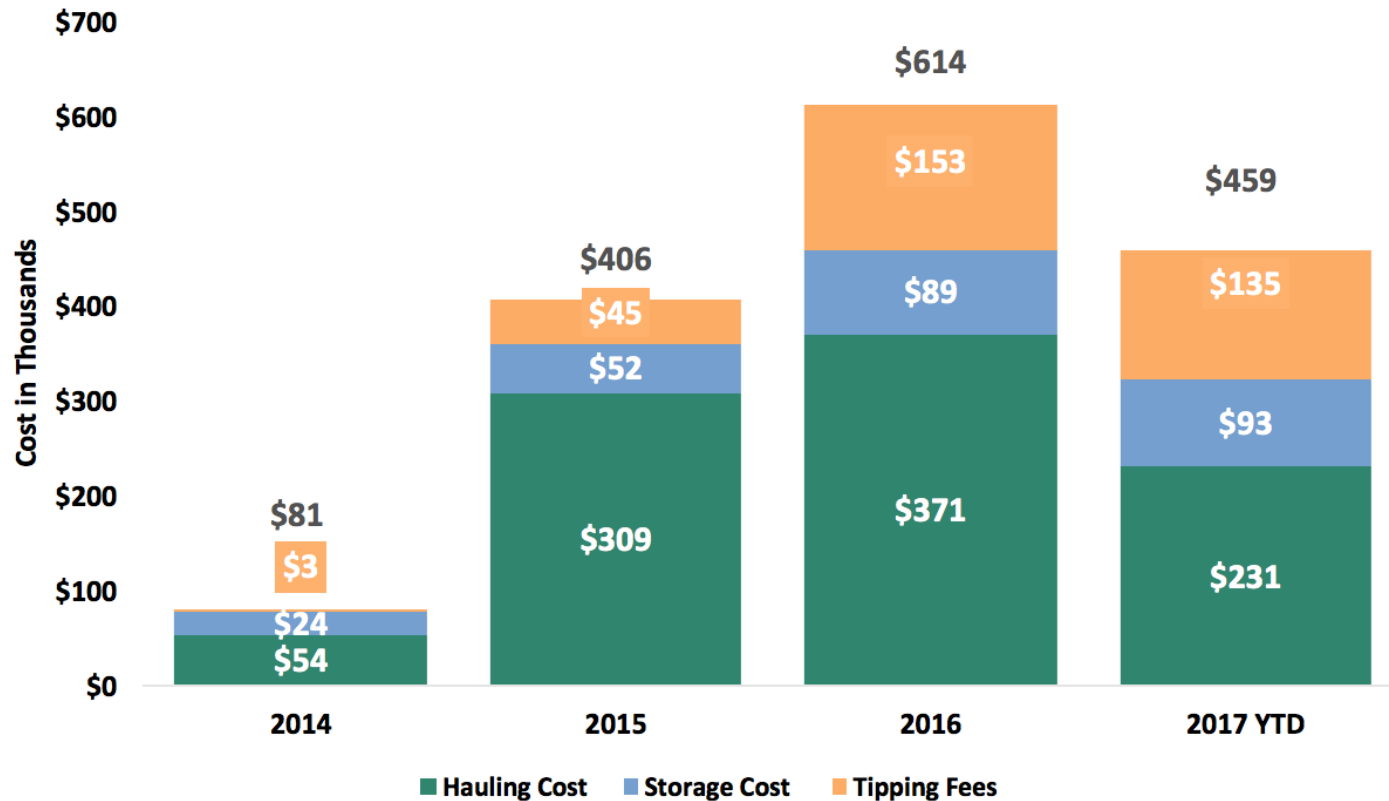


Drop-Off Site Total Program Costs



Annual Cost Comparison

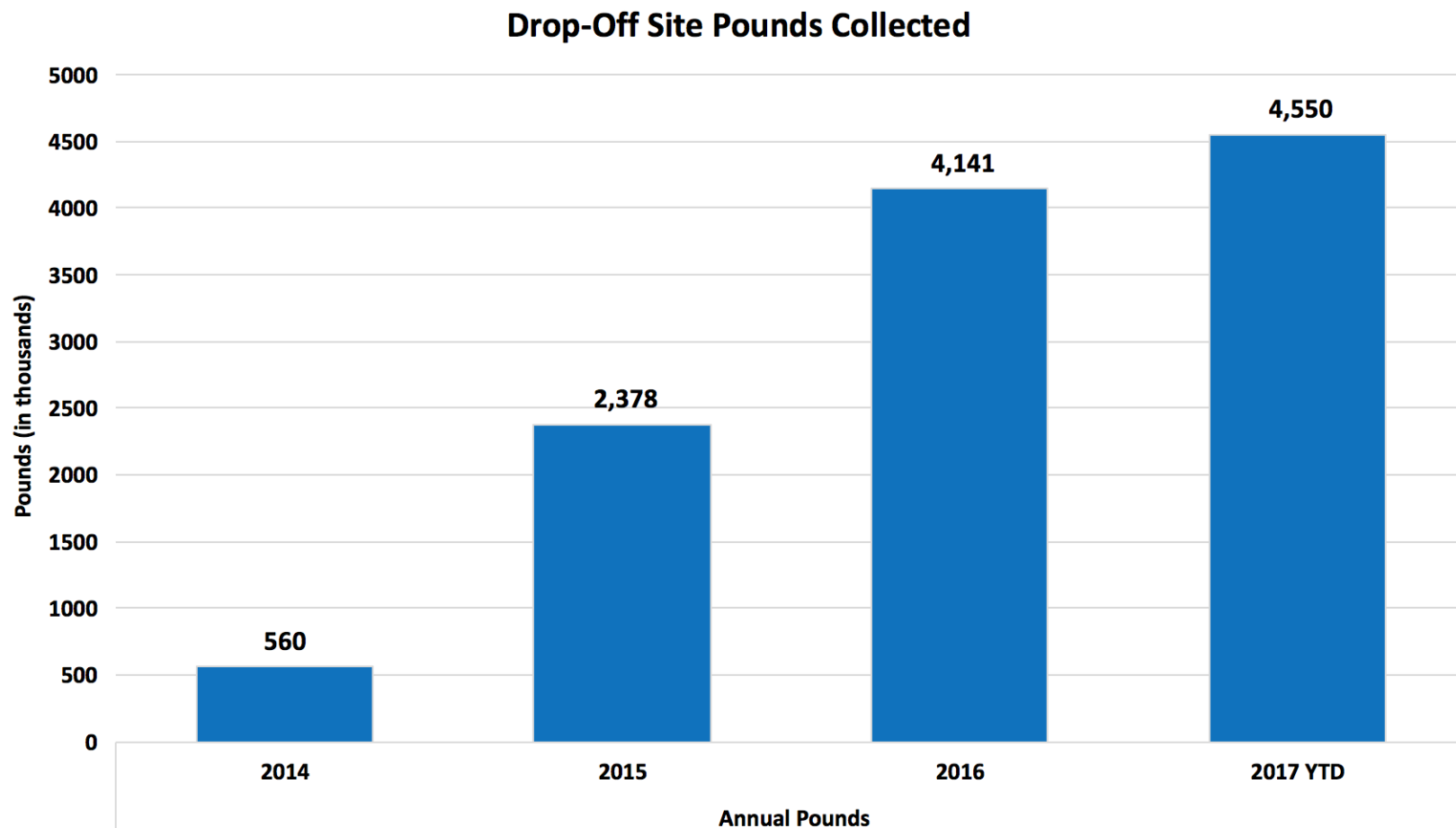
Annual Drop-Off Site Program Costs



- **Hauling:** 53% of Q3 2017 Total Program Cost
- **Storage:** 18% of Q3 2017 Total Program Cost
- **Tipping Fees:** 29% of Q3 2017 Total Program Cost



Material Collected by CARE Drop-Off Sites (Annual)



- 2017 pounds collected YTD: **110% of total 2016 pounds collected**
- Q3 2017 pounds: **43% increase over Q3 2016**



Program Summary

Annual Data Summary				
Data Collected	2014	2015	2016	2017 YTD
Hauling Cost (in thousands)	\$54	\$309	\$371	\$231
Storage Cost (in thousands)	\$24	\$52	\$89	\$93
Tipping Fees (in thousands)	\$3	\$45	\$153	\$135
TOTAL Cost (in thousands)	\$81	\$406	\$614	\$459
Cost/lb Collection	\$0.14	\$0.17	\$0.15	\$0.10
Cost/Capita	\$0.08	\$0.05	\$0.03	\$0.005
Pounds Collected (K lbs)	560	2,377.669	4,141	4,550
Private Drop-Off Sites	Not Available	201	200	215
CARE Drop-Off Sites	14	23	32	42

- **42 operational CARE Drop-Off Sites in 39 CA counties**
- **215 operational private sites**



Recommendations to SFOC



Recommendations for SFOC Approval

- 1) Approve CSE subsidy* (\$281.1K)
- 2) Approve Processor subsidy* (\$1,395.5K)
- 3) Approve Manufacturer subsidy (\$1,040.6K)
- 4) Approve Program Costs (\$638.4K)
- 5) Approve Administrative Costs (\$559.2K)

Total Payout Q3: \$3,914.8K

* Some Processors also collect and those pounds are counted as CSE pounds.
Dollars are tracked in each category respectively.



End of Review

